



**THE INDUSTRIAL DEVELOPMENT AUTHORITY  
OF THE CITY OF TUCSON, ARIZONA**

**Regular Meeting**

Thursday, June 20, 2019

2:30 p.m.

Tucson Metropolitan Chamber of Commerce  
465 W. Saint Mary's Road  
Tucson, Arizona 85701

**Minutes**

<b>Present: Board Members</b>	Larry Lucero Neal Eckel Judy Clinco Mimi Petro
<b>Advisors</b>	Charles Lotzar, Lotzar Law Firm, PC Karen Valdez, BDFC Advisor Services, LLC Gary Molenda, BDFC Advisor Services, LLC
<b>Absent</b>	Meredith Aronson Sandra Barton Patricia Schwabe
<b>Guests</b>	Mike Czechowski, City of Tucson Erik Chapman, Pueblo Parking Systems, LLC Swain Chapman, Chapman Management Group

The Regular Meeting of the Board of Directors of The Industrial Development Authority of the City of Tucson, Arizona (the “**Authority**”) was held on **June 20, 2019**, at the Tucson Metropolitan Chamber of Commerce, 465 W. Saint Mary's Road, Tucson, Arizona 85701. All Authority's Board Members and the general public were duly notified of the meeting. C. Lotzar had informed the Authority's Board of Directors that Arizona's Open Meeting Laws allow for members of the Authority's Board of Directors and legal counsel to appear and participate in the meeting telephonically so long as all participants in the meeting can hear and be heard.

<b>ITEM</b>	<b>ACTION TAKEN/TO BE TAKEN</b>
<b>1. Call to Order</b>	The meeting was called to order at <b>2:38 p.m.</b>
<b>2. Request for resolution to approve the minutes of the Special Meeting of May 23, 2019.</b>  L. Lucero summarized the <b>May 23, 2019</b> Special Meeting Minutes noting the Committees and members of each.	A <b>MOTION</b> was made and seconded (M. Petro / N. Eckel) to approve the <b>May 23, 2019</b> Special Meeting Minutes as presented. <b>Approved 4-0.</b>
<b>3. Request for resolution to approve a sponsorship of the Arizona Department of Housing's 2019 Housing Forum to be held August 19, 2019 to August 21, 2019 at The Scott Hotel in Scottsdale, Arizona.</b>  L. Lucero reviewed the Agenda for the <b>August 19-21, 2019</b> Arizona Housing Forum August and stated that he will attend on behalf of the Authority. It was the consensus of the Authority to sponsor the event at the Silver Sponsorship level of <b>\$2,000.</b>	A <b>MOTION</b> was made and seconded (J. Clinco / M. Petro) to approve sponsorship of the Arizona Department of Housing <b>2019</b> Housing Forum at the <b>\$2,000</b> Silver Sponsorship level. <b>Approved 4-0</b>

Approved August 15, 2019

<p><b>4. Request for resolution to approve the payment of invoices and the notification of items to be paid on the Authority's behalf by third parties.</b></p> <p>C. Lotzar requested a modification with regard to Directors' &amp; Officers' insurance coverage ("D&amp;O"). C. Lotzar said that the Authority will be able to obtain D&amp;O coverage with full Securities Acts coverage, by the end of next week. Mr. Lotzar suggested that the Authority consider granting authorization to L. Lucero, as President, to take the necessary actions on behalf of the Authority to obtain D&amp;O coverage.</p>	<p>A <b>MOTION</b> was made and seconded (N. Eckel / M. Petro) to approve payment of invoices, as presented and to authorize Larry Lucero, as President, to take all action required to obtain on behalf of the Authority D&amp;O insurance coverage for <b>FY19-20</b>. <b>Approved 5-0</b></p>
<p><b>5. Status report from the Liaison to City of Tucson, Arizona City Manager's Office related to:</b></p> <p>M. Czechowski provided updates on the following:</p> <p><b>a. The City's Economic Development Prospect list.</b></p> <p>Potential Government Property Lease Excise Tax ("GPLET") projects:</p> <ul style="list-style-type: none"> <li>• Benedictine Monastery – <b>800</b> N. Country Club Road.</li> <li>• Old Julian Drew - <b>5<sup>th</sup></b> &amp; Broadway – renovation: residential upper level with ground floor retail/commercial.</li> <li>• CODAC site – <b>5<sup>th</sup></b> &amp; Broadway – rehab/mixed use; demolition and new construction.</li> </ul> <p>Other requests for incentives:</p> <ul style="list-style-type: none"> <li>• HSL Hotel (Arizona Hotel) – application for incentives for a total renovation of the entire hotel for convention hotel use, including a wellness center, and anticipates operation by the <b>2021</b> gem show. Renovation will take place in <b>3</b> phases: <ul style="list-style-type: none"> <li>Phase <b>1</b> – Hotel,</li> <li>Phase <b>2</b> – Building behind the hotel, and</li> <li>Phase <b>3</b> – Former garage at Granada and Congress.</li> </ul> </li> <li>• Corridor Incentives / Opportunity Zones: <p>TENWEST Festival, formerly Start Up Tucson, in <b>October 10, 2019</b> – Extend an invitation to Opportunity Fund Investors offering an opportunity to:</p> <ol style="list-style-type: none"> <li>1. Tour potential development site areas, and</li> <li>2. Engage in TENWEST Festival.</li> </ol> <p>One element of the event is a "<b>Shark Tank</b>" event with Angel Investor participation to assist entrepreneurs in start-up businesses.</p> </li> </ul> <p><b>b. The City's use of Economic Development tools.</b></p> <p><b>c. Opportunity Zones.</b></p> <p><b>e. Current items of interest.</b></p> <p>Kevin Burk has joined the City's Economic Initiatives Department.</p> <p>The COT Economic Development Team includes:</p> <p>Barbra Coffee, Economic Initiatives Director,</p>	<p>No action taken.</p>

<p>Kevin Burk, Economic Initiatives Deputy Director, and Mike Czechowski, Economic Initiatives Project Manager.</p> <p>The City's Mayor &amp; Council approved a <b>1</b> year extension for the Downtown Financial Incentive District (the "<b>District</b>") which is a up to <b>\$10,000</b>, per project, including permitting waiver and <b>100%</b> credit for the City's construction sales tax related to public right-of-way improvements for any business located in the District.</p>	
<p><b>6. President's Report: Summary of current events, including items brought to the President's attention or matters that required handling by the President since the last meeting:</b></p> <p>L. Lucero provided updates to the following:</p> <p><b>a. Review of decisions and actions to be taken following the Special Meeting / Board Retreat.</b></p> <p>Discussed the official designation of the committees discussed at the <b>May 23, 2019</b> Special Meeting:</p> <p><b>(i) Strategic Planning Committee:</b> N. Eckel, Chair, Mimi Noshay-Petro, and Meredith Aronson.</p> <p>Items for discussion:</p> <ul style="list-style-type: none"> <li>• Prospective legislation that could affect the Authority and therefore require some action.</li> <li>• Look at land acquisition opportunities, including speculative buildings.</li> <li>• Confirm accomplishments with respect to Single Family.</li> <li>• Small business loan activity – cross over to Loan Review Committee.</li> <li>• Time line for major goals: e.g. <b>3</b> to <b>5</b> years.</li> <li>• The configuration of support that the Authority has versus need.</li> <li>• Roles of General Counsel, BDFC Adviser Services, etc...</li> <li>• Discuss whether or not there is a need for a Business Development Marketing function.</li> <li>• Follow up on M. Czechowski's discussion regarding the City's priorities with respect to: <ul style="list-style-type: none"> <li>- The Grant Road overlay.</li> <li>- The Broadway/Euclid Sunshine mile.</li> <li>- <b>12<sup>th</sup></b> Avenue, Houghton Road, Restaurant Row, and Broadway/Kolb.</li> </ul> </li> </ul> <p><b>(ii) Loan Review Committee:</b> Sandra Barton, Chair, Patricia Schwabe, Judy Clinco, and Meredith Aronson</p> <p>Items for discussion:</p> <ul style="list-style-type: none"> <li>• Increase loan volume.</li> <li>• Focus on small business loans to provide GAP funding (seasonal businesses, etc.), Emergency Funds; Facade Improvements; etc.</li> </ul> <p><b>(iii) Marketing Committee:</b> Larry Lucero, Chair, Patricia Schwabe,</p>	<p>No action taken.</p>

and Meredith Aronson

**b. Financial History.**

C. Lotzar distributed a Financial Performance Presentation of Fiscal Years **2005 – 2018**. The Authority achieved quite a bit of growth over this time period with expenses trailing growth:

- Revenue increased **435%**.
- Expenses increased **111%**.
- Parking Lot Net income increased **658%**.
- Single Family Programs:

**Pima Tucson Homebuyer's Solution ("PTHS") Program** has been impressive. Total originations from inception through **April 2019**:

- Loan Amount: **\$572,457,662**.
- Number of Loans: **4,041**.
- Down Payment Assistance: **\$24,520,830**.
- Tucson IDA Portion of Fees: **\$2,045,523**.

Responding to the question "How does the Authority generate revenue from the Single Family Program activity?"

C. Lotzar stated that within the PTHS Program, the Authority is dealing with Mortgaged Backed Securities ("**MBS**"). The Authority established the PTHS Program based on the Authority's unique status as a Housing Finance Agency ("**HFA**").

The PTHS Program offers the Homebuyer's cash to close, including down payment, closing costs, pre-paid, and other related mortgage loan fees and expenses (collectively, "**DPA**"), in the range of **2.5%** to **6%** of the mortgage loan, to the homebuyer who does not have his or her own funds to cover the required cash to close the mortgage loan.

The PTHS Program moves with the market in response to what the market demands. Currently, the PTHS Program's "**strike zone**" is in the **3% to 5%** DPA range.

Homebuyers must agree to pay an above market interest rate loan based on the level of DPA the homebuyer selects. The DPA is in the form of a **2<sup>nd</sup>** mortgage, at **0%** interest; which is fully forgiven after **3** years.

C. Lotzar stated that the Tucson IDA and Pima IDA through Community Investment Corporation ("**CIC**") advance fund the DPA at the Homebuyer's close of escrow; which is known as "**Table Funding**".

Every business day, the Authorities work with George K. Baum & Company, Inc. ("**GKB**") to set the mortgage interest rates, on every permitted combination of loan type and DPA.

After origination, the loans are bundled into Mortgage - Backed Securities ("**MBS**"); which are guaranteed for a fee by Fannie Mae or Freddie Mac,

GKB is in the market every day hedging. In simplest terms, GKB is looking to sell MBS **60 days** in the future and GKB can either take the future committed sale price in the forward agreement or break the forward agreement for a fee and sell in the MBS in the open market.

There are **2** sales of MBS:

- 1.** Mortgages are bundled into MBS and purchased by U.S. Bank, as Master Servicer, who retains the servicing; and
- 2.** U.S Bank then pools and delivers loans, delivers MBS certificates to GKB to sell in the secondary mortgage market.

When initial MBS sale is made, the Authorities receive a front-end fee, of **75 basis points**.

Amounts made based on successful hedging are what makes the back-end fees. The front-end fees are set at **75 basis points**. The back-end fees can be all over the board based on market forces.

C. Lotzar stated that the Tucson Pathway to Purchase is slightly different. To protect the Authorities' jurisdiction, the Authorities entered into an Agreement (the "**Tucson P2P Agreement**") with the Arizona Department of Housing ("**ADOH**") on **June 10, 2016** with an expiration date of **December 31, 2020**.

In the first phase of the Tucson P2P Program ADOH authorized an allocation of **\$200,000,000.00**; which began on **July 18, 2016** and fully originated by **April 2017**.

The **2nd Phase** P2P Program began on **August 1, 2018** and is scheduled to continue through **December 2019**.

Under the Tucson P2P Program, the Authorities receive a front-end fee which it can adjust. ADOH receives a **1.25 basis point** front-end fee and all of the back-end fees; provided, however, all funds paid to ADOH shall be designated for the benefit of the "**Tucson Rapid Rehousing Fund**".

Tucson P2P Program Originations as of **April 2019**:

- Loan Amount: **\$240,694,623**.
- Number of Loans: **1,670**.
- Down Payment Assistance: **\$28,247,685**.
- Tucson IDA Portion of Fees: **\$770,991**.

C. Lotzar reported that over **\$5,000,000** has been deposited for the benefit of Tucson Rapid Rehousing Fund.

L. Lucero stated that the Authorities have a core group of **6 to 8** "actively participating" Lenders. Due to the competitive environment, it may behoove the Authority to have a plank in the strategy that addresses relationships with Lenders. Additionally, the Authority may consider marketing to the Lenders to put the Authority "**front and center**" in the Lenders mind, when Lenders are looking for a tool to assist homebuyers.

C. Lotzar stated that the good news is that there is a fair amount of money that can be deployed.

It was noted that in partnership with BDFC, there have been a good amount of loan volume over time. Although the loans previously made by the Authority are risky loans (not bankable credits), there has only been **1** default since **1996** from over **\$5,390,900** in loans, to **53** businesses.

**c. Website development – status report**

Proceeding with development of the website, making slow progress.

<p><b>7. Status Report related to a request for the Authority’s consent received from the El Presidio Neighborhood Association for traffic mitigation at Franklin Street and Court Avenue, and request for resolution for any action related thereto.</b></p> <p>L. Lucero reported that there is an issue at Franklin and Court concerning heavy traffic as a result of the increased development downtown, including the Downtown Links project; which has caused the neighborhood to become a cut-through traffic challenge. Additionally, the intersection experiences large scale storm water run-off, even in mild storm events. The intersection also receives increased pedestrian traffic as part of the route for the popular “Meet Me at Maynard’s” weekly event. Increased traffic and pedestrian use are incompatible with the street’s thoroughfare feel, leaving all groups at risk. El Presidio Neighborhood Association (“<b>EPNA</b>”) has been working with the City of Tucson, and Tucson Clean &amp; Beautiful to secure grant funding to help mitigate issues. Various factors have been considered including user groups, utility lines, drainage patterns, etc. The EPNA Board of Directors has requested support for a <b>4</b> way stop, with chicanes, at the intersection of Franklin and Court. A requirement of the funding application that EPNA is desirous of submitting the prior written consent of all abutting property owners, and therefore EPNA is requesting consent from the Authority as the owner of <b>Block 175</b>.</p>	<p>A <b>MOTION</b> was made and seconded (J. Clinco / M. Petro) to approve the request from EPNA to support the <b>4</b> way stop and chicanes at the intersection of Franklin and Court.</p> <p><b>Approved 4-0</b></p>
<p><b>8. Status Report related to the potential sale, development, construction, equipping and /or operation of a project on (a) 450 N. Main, (b) Block 174, and (c) Block 175, and request for resolution related thereto; which may include formally ratifying the direction previously given to legal counsel. Pursuant to Arizona Revised Statutes Section 38-431.03(A)(1)(3) and/or (4), the Authority may vote to recess and meet in Executive Session for discussion or consultation with and to provide direction to the Authority’s legal counsel about this item. Any action taken by the Authority regarding this matter will be taken in open meeting session (either at this meeting or later) after the adjournment of the Executive Session.</b></p> <p>C. Lotzar invited Erik Chapman, Pueblo Parking Systems, to discuss the <b>FY20</b> budget for the Authority’s parking lots; and Swain Chapman, Chapman Management Group, to talk about property values as they pertain to both <b>Block 174</b> and <b>Block 175</b>.</p> <p>L. Lucero stated that the purpose of this conversation is to think about the current use of <b>Block 175</b> as it pertains to operations and revenue. Conversation will touch on <b>Block 174</b> as well.</p> <p>E. Chapman distributed <b>FY20</b> budgets for <b>Block 175</b> and Stone/Council parking lots noting that growth is projected for both.</p> <p><b>Stone/Council Parking Lot - FY20 Budget (59 spaces – +/- ½ acres):</b></p> <p>An additional <b>\$12,000</b> is budgeted for net operating income and reviewed the following FY incomes for comparison:</p> <ul style="list-style-type: none"> <li>• <b>FY13</b> Total Operating Income was <b>\$48,609</b>; and <b>FY19</b> is currently at <b>\$169,200</b>.</li> <li>• <b>FY13</b> Net Operating Income was <b>\$24,970</b>; and <b>FY19</b> is currently at <b>\$117,513</b>.</li> </ul> <p>Resurfacing was completed <b>2</b> years ago so the only upcoming maintenance is the Seal &amp; Stripe. It will be another <b>3</b> years before additional maintenance is required.</p> <p><b>Block 175 Parking Lot - FY20 Budget (236 spaces – +/- 2 acres):</b></p> <p>An additional <b>\$15,000</b> to <b>\$20,000</b> in gross revenues and an additional to <b>\$15,000</b> in Net Operating Income is anticipated and budgeted for <b>FY20</b>.</p> <p>No major issues / repairs are needed. There have been complaints of not enough signage identifying where to pay; this will be an additional expense for <b>FY20</b>.</p>	<p>A <b>MOTION</b> was made and seconded (N. Eckel / M. Petro) to adjourn Regular Session at <b>3:41</b> p.m. to enter Executive Session for discussion. <b>Approved 4-0</b>.</p> <p>Regular Session resumed at <b>4:21</b> p.m.</p>

<ul style="list-style-type: none"> <li>• <b>FY13</b> Total Operating Income was <b>\$201,000</b>; and <b>FY19</b> is currently at <b>\$300,950</b>.</li> <li>• <b>FY13</b> Net Operating Income was <b>\$120,600</b>; and <b>FY19</b> is currently at <b>\$191,555</b>.</li> </ul> <p>Discussion ensued and at <b>3:41 pm</b> it was the consensus of the Authority to adjourn Regular Session to continue discussion in Executive Session.</p> <p>Gary Molenda declared a conflict of interest and recused himself from discussions and to avoid the appearance of impropriety physically left the meeting during the discussion held in Executive Session.</p> <p>Discussion held in Executive Session.</p> <p>Regular Session resumed at <b>4:21 p.m.</b></p> <p><b>450 N. Main:</b></p> <p>C. Lotzar reported that Mr. Tilton, the owner of the house at <b>459 N. Granada</b>, hired PICOR to market his property.</p> <p>A limited number of telephone call have been received, although not substantive.</p> <p>Restriction with the City of Tucson related to Affordable Housing:</p> <p>The property is located in Ward <b>1</b>. The Councilperson is unwilling to release the restriction.</p> <p>It was noted that the Preschool that neighbors the property continues to park their van on 450 N. Main.</p> <p>Mr. Lotzar stated that he will contact the school management to make arrangements for another agreement for parking.</p>	
<p><b>9. Status report concerning the Authority’s staffing needs and review of the annual contracts for the various professional services rendered to the Authority by (a) Lotzar Law Firm, P.C. as the Authority’s Legal Counsel, (b) BDFC Advisor Services, LLC (“BDFC”) as the Authority’s Advisor, and (c) Pueblo Parking Systems, LLC as the Manager of the Authority’s Parking Lots, and request for resolution related thereto. Pursuant to Arizona Revised Statutes Section 38-431.03(A)(1)(4) and/or (5), the Authority may vote to recess and meet in Executive Session for the purpose of discussion or consultation with and to provide direction to the Authority’s legal counsel in connection with this item. Any action taken by the Authority regarding this matter will be taken in open meeting session (either at this meeting or at a later date) after the adjournment of the Executive Session.</b></p> <p>It was the consensus of the Authority to consider all <b>3</b> Agreements in one motion.</p>	<p><b>A MOTION</b> was made and seconded (N. Eckel / M. Petro) to approve the following annual contracts for <b>FY19-20</b>:</p> <ul style="list-style-type: none"> <li>a) Lotzar Law Firm, LLC as the Authority’s Legal Counsel;</li> <li>b) BDFC Advisor Services, LLC as the Authority’s Advisor; and</li> <li>c) Pueblo Parking Systems, LLC as the Manager of the Authority’s Parking Lots.</li> </ul> <p><b>Approved 4-0</b></p>
<p><b>10. Staff Reports: Monthly Staff Report for the month ending May 31, 2019</b></p> <p>K. Valdez provided status on the following:</p> <ul style="list-style-type: none"> <li><b>a. General Operations of the Authority:</b> <ul style="list-style-type: none"> <li><b>i. Parking Lot Financial Statements prepared by Pueblo Parking Systems, LLC (“PPS”).</b> Report provided by E. Chapman, Pueblo Parking Systems, LLC</li> <li><b>ii. Bond Borrower’s payment of Administrative Fees.</b> Annual assessment fees are current.</li> <li><b>iii. Cash Management.</b> Cash and cash equivalent accounts were reviewed; estimated funds available at <b>May 31, 2019</b>, less</li> </ul> </li> </ul>	<p>No action taken.</p>

existing commitments and recommended reserves, is **\$4,186,461**.

- iv. **Loan Servicing.** Thunder Canyon Brewery continues on a payment plan to bring the account current.
- v. **Loan Origination.** 1 pending loan: Ermanos Craft Beer Depot, LLC approved **February 21, 2019**; and estimated funding to occur **July, 2019**.

**b. Outstanding Single-Family Programs:**

- i. **\$40,000,000 The Industrial Development Authority of the County of Pima and The Industrial Development Authority of the City of Tucson, Arizona Revolving Taxable Single Family Mortgage Loan Program of 2012 (the “Pima/Tucson Homebuyers Solution Program” or “PTHS Program”) - commenced on December 17, 2012 and unless extended expires on December 31, 2020 – more than \$579,000,000 in mortgage-backed securities sold with more than \$24,520,000 of down payment assistance granted to homebuyers.**
  - The PTHS Program’s loan count from commencement through **May 31, 2019** is **4,151**, with an aggregate loan amount of **\$591,656,188**.
- ii. **The Industrial Development Authority of the City of Tucson, Arizona The Industrial Development Authority of the County of Pima Tucson P2P Program (the “Tucson P2P Program”) – Phase II commenced on August 1, 2018 and unless extended expires on December 31, 2020 – more than \$68,100,000 in mortgage-backed securities sold (1<sup>st</sup> sales in October 2016) with more than \$28,000,000 of down payment assistance granted to homebuyers and over \$469,000 deposited into the Tucson Rapid Rehousing Fund.**
  - The Tucson P2P Program’s loan count from commencement through **May 31, 2019** is **2,026** with an aggregate loan amount of **\$297,563,665** and an average DPA of **\$16,087** to each homebuyer.
- iii. **\$9,375,000 The Industrial Development Authority of the City of Tucson, Arizona Single Family Mortgage Credit Certificate Program of 2017- January 3, 2017 – Origination Period expires December 31, 2019 more than 50 issued aggregating to over \$7,422,992.**
  - **50** Mortgage Credit Certificates (“MCCs”) have been issued as of **May 31, 2019**, with **3** pending.
  - Percentage of MCCs at or below **80% AMI: 68%.**
  - Average income: **\$41,241.**
  - Average loan amount: **\$148,860.**



<ul style="list-style-type: none"> <li>• Average purchase price: <b>\$159,118.</b></li> </ul> <p><b>iv. The 7% 2<sup>nd</sup> Mortgage Loans originated in connection with:</b></p> <p><b>A. Series 2006 (Joint) - \$30,475,000 – 1<sup>st</sup> Mortgage Loan Interest Rate 5.97% - 2016 Final Redemption of all Bonds - approximately \$150,800 in 2<sup>nd</sup> Mortgage Loans are outstanding).</b></p> <p><b>B. Series 2007A (Joint) - \$23,400,000 - 1<sup>st</sup> Mortgage Loan Interest Rate 5.69% - 2016 Final Redemption of all Bonds - approximately \$182,400 in 2<sup>nd</sup> Mortgage Loans are outstanding).</b></p>	
<p><b>11. Call to the Public</b></p> <p>There was no one in the audience who wished to address the Authority.</p>	<p>No action taken.</p>
<p><b>12. Adjourn</b></p>	<p>A <b>MOTION</b> was made and seconded (M. Petro / N. Eckel) to adjourn the meeting at <b>4:47 p.m.</b> <b>Approved 4-0</b></p>

Submitted by:

Approved by:

By: \_\_\_\_\_  
Karen J. Valdez  
Advisor Services, LLC

By: \_\_\_\_\_  
Larry Lucero, President  
The Industrial Development Authority of the  
City of Tucson, Arizona